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FISCAL IMPACT STATEMENT

LS 7754
BILL NUMBER: SB 410

NOTE PREPARED: Apr 14, 2003
BILL AMENDED: Apr 9, 2003

SUBJECT: Venture Capital Funds from PERF and TRF.

FIRST AUTHOR: Sen. Ford
FIRST SPONSOR: Rep. Hasler

BILL STATUS: As Passed - House

FUNDS AFFECTED: GENERAL
  X DEDICATED
  FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill: (1) requires the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF) to apply for a grant from a private foundation or other entity to develop a fellowship program to assist PERF and TRF in increasing venture capital investment opportunities in Indiana technology and advanced manufacturing companies; (2) establishes for a ten-year period goals for investment in Indiana for a public pension fund if its board decides to allocate part of the assets to venture capital investments; (3) allows the Board five years to achieve the goals; (4) does not require the Board to achieve the goal percentages if, in the exercise of financial and fiduciary prudence, the Board determines that appropriate venture capital investments are not available in Indiana; and (5) provides that a TRF member may assign benefits for paying dues to certain associations for a retired membership

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) *Fellowship Program:* The specific expenditures will depend upon the number and the type of grant(s) received and the support each grant provides.

Background Information: The Ewing Marion Kauffman Foundation of Kansas City, Missouri, has a new funding program launched to promote research into new business formation and entrepreneurial growth called The Emerging Scholars Grant program. The program is designed to accelerate research into entrepreneurial activity. The five Ph.D. student recipients of the Kauffman Emerging Scholars Initiative will each receive a maximum of $15,000 to support academic research into entrepreneurship.

Investment Goals: This proposal could affect the policy under which the public pension funds and foundations or endowments of state educational institutions operate. The decisions of the Boards of Trustees of the Public Employees' Retirement Fund (PERF), the Teachers' Retirement Fund (TRF), and the

foundations or endowments of state educational institutions will need to fall within the parameters of the bill regarding alternative investments.

Background: The funds operate under the prudent investment standard.

IC 5-10.3-5-3(a) states : *The Board shall invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The board shall also diversify such investments in accordance with prudent investment standards.*

Assignment of Benefits: There may be additional administrative costs (initially) associated with this change. The TRF reports that this provision will add approximately 3,000 members to the current total of about 30,000 members who avail themselves of this provision. The per unit cost for this is estimated to be $1.10, or a total of $3,300 for the newly added members. The fund affected is the Non-budget Administrative Fund for the TRF.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; the Teachers' Retirement Fund; and the foundations and endowments of state educational institutions.

Local Agencies Affected:

Information Sources: Mark Lawrence, Indiana Chamber of Commerce, 264-6893. Bob Newland, Chief Investment Officer of the Teachers' Retirement Fund, 232-3868; William Christopher, Director of TRF, 232-3869.

Fiscal Analyst: James Sperlik, 317-232-9866.